



Student debt and homebuyers

Student debt does not stop you from becoming a homeowner

The average burden of student loan debt is nearly \$38,000 as of 2024 — a modest down payment amount to say the least.

If you're like many recent college graduates, you might think you need to rent until you pay off those loans. But simply having debt doesn't prevent you from qualifying to take out a home mortgage. To find out when buying a home makes financial sense for you, first determine your current debt-to-income ratio.

Say two members of your household collectively make about \$12,000 monthly, before taxes. Your monthly student loan payments are \$800 and you pay about \$600 monthly on other debt, such as auto loans or credit card debt. Thus, you're currently spending 12% (\$1,400) of your monthly income on debt other than the rent charged for your current housing.

Adding a mortgage payment of \$3,300, which includes principal, interest, property taxes and home insurance, brings your total payments on all debt to around 40% of your monthly income. This is within the debt-to-income levels lenders are comfortable with.

In the above scenario, you qualify for various types of home mortgages to buy a home, including FHA loans. The typical debt ratios applied by lenders are 30% of income spent on mortgage related payments (the front-end ratio) and 41% spent on total debt payments (the back-end ratio). Further, mortgage lenders allow for a down payment as low as 3.5% of the price of the home.

You went to college to get ahead — and student loan debt does not hold you back. Contact me so I can show you exactly what it takes to become a homeowner. With two incomes, you have a lot of options.